

Cellular mobile subscribers



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The entry of Warid and Telenor in 2005 resulted in significant changes in the market; one of them was market structure with respect to subscribers' share. These two companies started attracting customers, which reduced the market share of the dominant player, Mobilink from 64 percent in June 2004 to 44 percent in March 2007. The two new companies now have over 32 percent (As of March 2007) of the market share which is very healthy development with regard to competition and maturity in the market.

Herfindahl Index, also known as Herfindahl - Hirschman Index (HHI, is a measure of the size of firms in relationship to the industry (an indicator to the amount of competition among them) a widely used measure of the industry concentration, also shows an improvement in Pakistan's mobile market competition, particularly during the last one year (Fig-14. 4 & Fig-14. 5).

Socio-economic impact of mobile phone is also given in Box 14. 2 Fixed Line Services In the Long-distance and International (LDI) segment, 13 companies are operational out of the total 14 LDI licensees.

PTA also awarded licenses to 38 Fixed Local Loop (FLL) companies for their operations in various telecom regions. So far, 4 companies have launched their services, with limited network coverage in few cities of Punjab and Sindh. Few other companies like Neyatel, Multinet Broadband and Stanlay are at their rollout stage; however, their coverage is limited with low capacity. Currently, there are 5.2 million fixed line subscribers with 98 percent subscribers of the incumbent operator, PTCL (Fig-14. 6). Wireless Local Loop

WLL technology was introduced in Pakistan in 2004 with the objective to bridge the digital divide between the rural and urban areas as the deployment of WLL services is much easier than the fixed line. The total WLL subscribers have reached 1.6 million which are now 30 percent of the fixed line subscribers. WLL density has also increased to 1.06 percent. Now 5 WLL operators are providing their services in the country. The coverage extended by PTCL for WLL services has reached over 1,080 cities/towns of Pakistan.

Sector Accomplishment a) FDI in Telecom Sector In the last 2-3 years Telecom sector has attracted record inflows of FDI. During 2005-06, telecom sector received over US\$ 1.9 billion FDI and emerged as the single largest sector attracting FDI. In the year 2005-06, telecom sector received 54.1 percent of the total FDI which is even higher than last year's 32.4 percent. During July-April 2006-07, telecom sector attracted US\$ 1.4 billion which is expected to cross one and half billion dollar mark at the end of year.

Contribution to National Exchequer Telecom sector is also a major contributor to government revenue. During 2005-06 total revenue collected by the government in the form of taxes and PTA deposits was more than Rs. 77 billion. The government collected total GST/CED of Rs. 8.8 billion in 2001-02 on telecom services, which increased to Rs. 26 billion by 2005-06. It is expected that the contribution of telecom sector in total GST/CED collected by CBR will grow in the coming years. In 2006-07, GST collection is expected to be over Rs. 33.8 billion.

The government also collects activation tax on new mobile connections at the rate of Rs. 500. In 2006-07, it is expected that the collection under this

head would cross Rs. 12. 24 billion. Pakistan Telecommunication Authority has conducted an independent study to assess the socioeconomic impact of mobile growth in Pakistan. A survey of 1, 269 mobile phone users was conducted during March 2007 in all four provinces AJK and NAs. The study found that the use of mobile has created socio-economic awareness among the users in changing their life style, in improvement of their

business and related activities, saving time on inter- city trips and local visits and ultimately in saving money and increase in their sales and income. The use of mobile phone on average made 35 percent increase in the sales of individual businessmen included in the survey. Use of mobile has also increased the access to medical, financial and other services. According to the survey results, more than 52 percent respondents reported that the use of mobile has improved their access to doctors and health personnel.

It also improved their family cohesion and elevated women's role and say in family and society. The study also analyzed the business outlook and the value chain of the mobile sector in the country. It estimated the current employment level of 354, 042 employees engaged in the telecom sector at various level of value chain including employment at Telecom Companies, vendors, tower businesses and cell phone shops. It is projected that 58, 009 direct and indirect employment opportunities will be created in 2007-08.

Reduction in Telecom Services Tariff

Significant reduction has been witnessed in the tariffs of almost all the telecom services over the last two to three years. The national and international long distance tariffs which were Rs. 34 and Rs. 70 per minute in

1996 respectively, have reduced significantly to as low as Rs. 0. 67 and Rs. 0. 79 per minute, respectively through calling cards. The incumbent operator PTCL has also reduced its NWD and international tariff drastically. In addition, the new local loop operators are also offering zero line rental packages and free local call packages to telecom subscribers.

Similarly tariffs of mobile services have also reduced. The minimum prepaid on-net tariffs which were Rs. 5. 75 per minute in 2003-04 have reduced to Rs. 1. 50 per minute. The international long distance tariffs from cellular mobile have also reduced and are as low as Rs. 1. 95 per minute. The cellular mobile operators are also offering friends and family packages in which the tariff is as low as Rs. 0. 99 per minute. The cellular mobile operators are offering per second, per 30 second and per minute billing to their subscribers.